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Wage Price Index, Australia

The WPI measures changes in the price of labour, unaffected by compositional shifts in the labour force, hours worked or employee characteristics

Reference period December 2020

Released 24/02/2021

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Key statistics

In December quarter 2020 the seasonally adjusted WPI:

- Rose 0.6%.
- Rose 1.4% over the year.
- For the private sector rose 0.7% and for the public sector rose 0.3% in the quarter.

What's new this quarter

This issue includes:

- A spotlight article outlining an exclusion-based WPI measure – this spotlight examines the WPI from June to December quarter 2020 excluding selected large wage movements associated with responses to COVID-19.
- An update for the Labour Price Index with information for December quarter 2020.

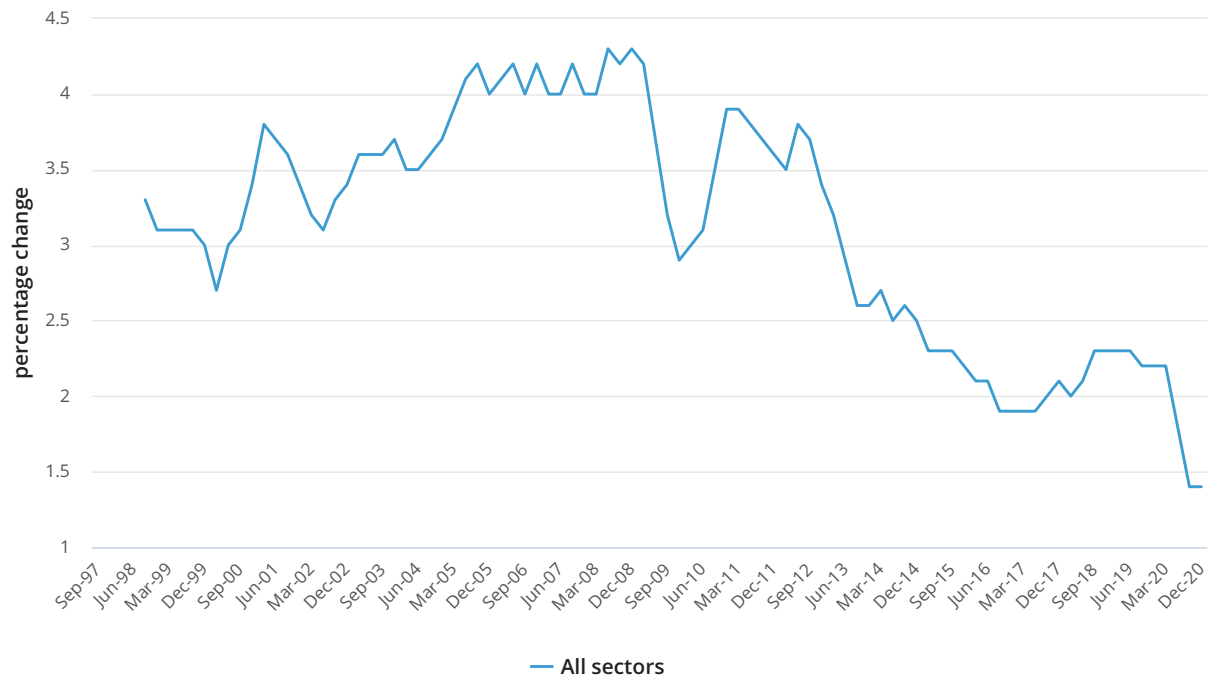
Wage Price Index (WPI) Total hourly rates of pay excluding bonuses

	Sep Qtr 2020 to Dec Qtr 2020 % change	Dec Qtr 2019 to Dec Qtr 2020 % change
Trend(a)		
Australia	na	na
Private sector	na	na
Public sector	na	na
Seasonally Adjusted(b)		
Australia	0.6	1.4
Private sector	0.7	1.4
Public sector	0.3	1.6
Original		
Australia	0.5	1.4
Private sector	0.5	1.4
Public sector	0.3	1.6

a. See Interpretation of index numbers, Trend estimates on the Methodology page.

b. See Interpretation of index numbers, Seasonally adjusted indexes and Seasonal analysis on the Methodology page.

Annual changes, seasonally adjusted, 1997 to 2020



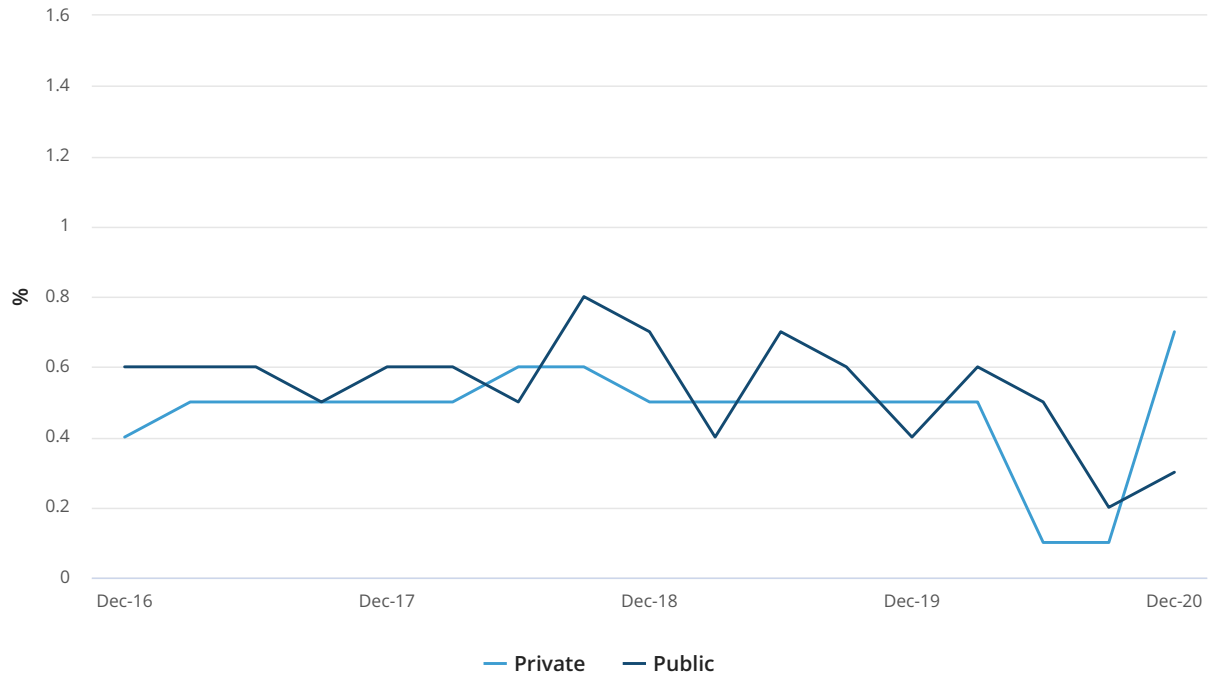
Following an extended period of subdued wage growth the annual rate has remained at a record low rate for the second quarter in a row.

Wage growth by sector

Through the year to December quarter 2020, seasonally adjusted:

- Private sector rose 1.4%.
- Public sector rose 1.6%.

Quarterly changes, seasonally adjusted, total hourly rates of pay excluding bonuses

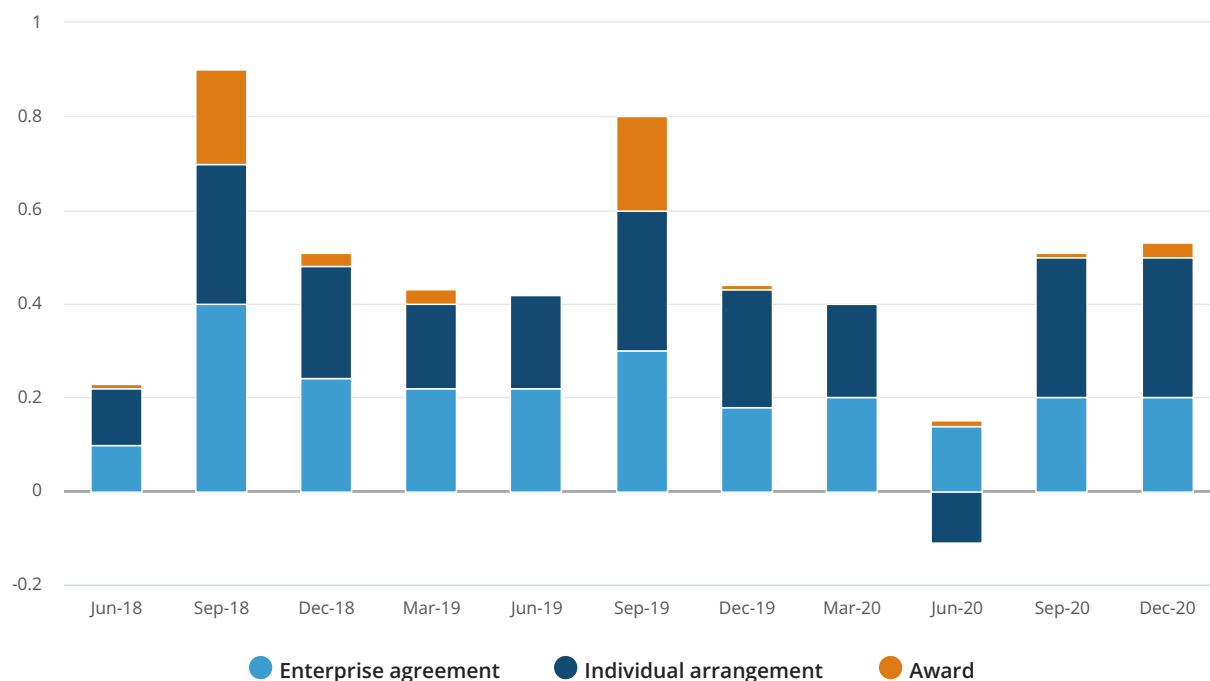


Changes due to COVID-19

The Wage Price Index trend series have been suspended from June quarter 2020 until more certainty emerges in the underlying trend in labour market activity over the COVID-19 period. For more information, see Measuring the impacts of Coronavirus (COVID-19) section.

Drivers of wage growth

Contributions to wage price index, by method of setting pay



Contributions of the different methods of setting pay towards wage growth have changed over time, reflecting in some part the changing dynamics of the labour market through the mix of structured payment systems versus the more market sensitive increases.

Jobs paid by individual arrangement tend to be more reactive to labour market and economic conditions. These types of jobs have shown a more immediate response to the COVID-19 pandemic in their contribution to quarterly wages growth. June quarter 2020 saw a number of these jobs showing no change or reductions in wages. In most cases these wages returned to previous levels through the September and December quarters.

Most affected by wage restorations were:

- Professional, scientific and technical services industry.
- Private sector growth in Victoria and New South Wales.

In June 2020 the Fair Work Commission (FWC) decided to stagger Modern award rises in three industry groupings. This has shifted the timing and contribution of the impact of these

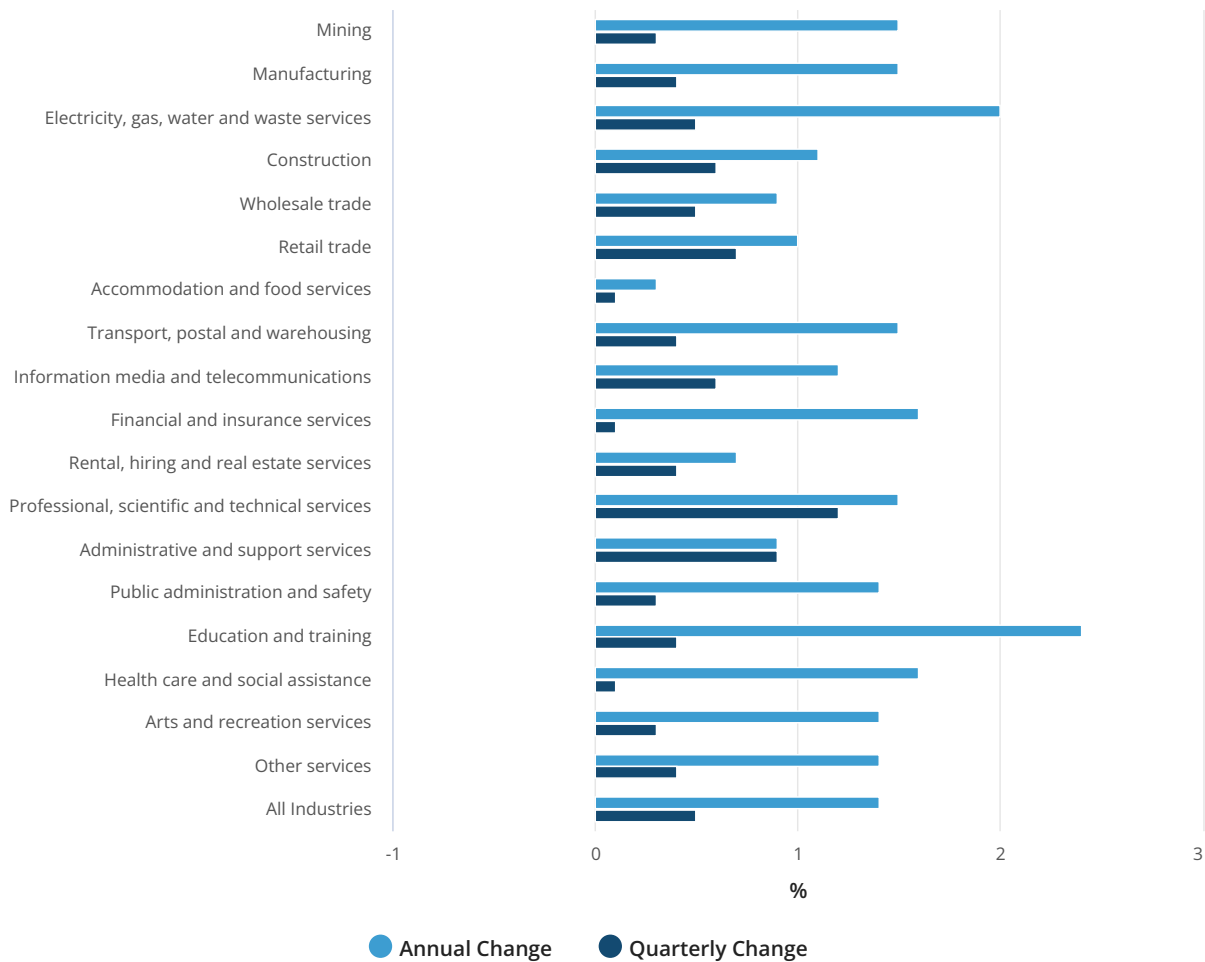
award changes, from a regular September quarter contributor to growth, to be spread across three quarters. Group three awards are scheduled to receive the FWC increase in March quarter 2021.

Wage growth by industry

Original estimates:

- Professional, scientific and technical services recorded the highest quarterly rise of 1.2%, following a fall in June quarter 2020 and moderate growth in September quarter 2020. The main driver of this industry's wages growth was the unwinding of short-term wage reductions to previous wage levels.
- Accommodation and food services, Financial and insurance services and Health care and social assistance each recorded the lowest quarterly rise of 0.1%.
- Education and training recorded the highest annual rise of 2.4%.
- Accommodation and food services recorded the lowest annual rise of 0.3%. Modern Award increases were the main driver of the annual growth although the timing of these increases has changed. Growth usually seen in the September quarter for this industry, is now scheduled for February 2021 due to the phased implementation schedule of Fair Work Commissions award increases.

Annual and quarterly changes, original, total hourly rates of pay excluding bonuses - industry



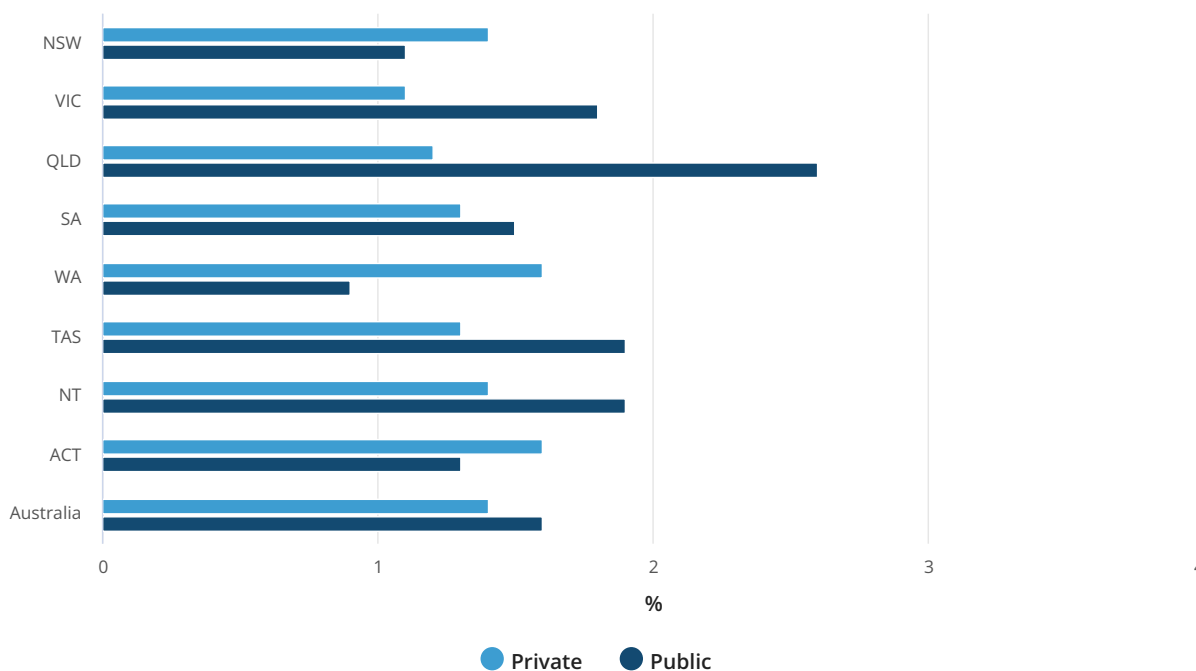
Wage growth by states and territories

Original estimates:

- Victoria and the Northern Territory recorded the highest quarterly rise of 0.7%. Victoria's wages growth was driven by the unwinding of wage reductions across a number of industries recorded in the June and September quarters 2020. Northern Territory growth was mainly driven by the public sector.

- South Australia and Australian Capital Territory recorded the lowest quarterly wage index rise of 0.2%. Lower public sector wage growth compared to December quarter 2019 was recorded for both states.
- Queensland and the Northern Territory recorded the highest annual wage increase of 1.6%.
- All states and territories recorded lower annual wage growth when compared to December quarter 2019.
- Victoria recorded the lowest annual rise of 1.3% for the second consecutive quarter, with social distancing measures and business restrictions limiting annual wage growth for the state.

Annual change, original, total hourly rates of pay excluding bonuses - states and territories



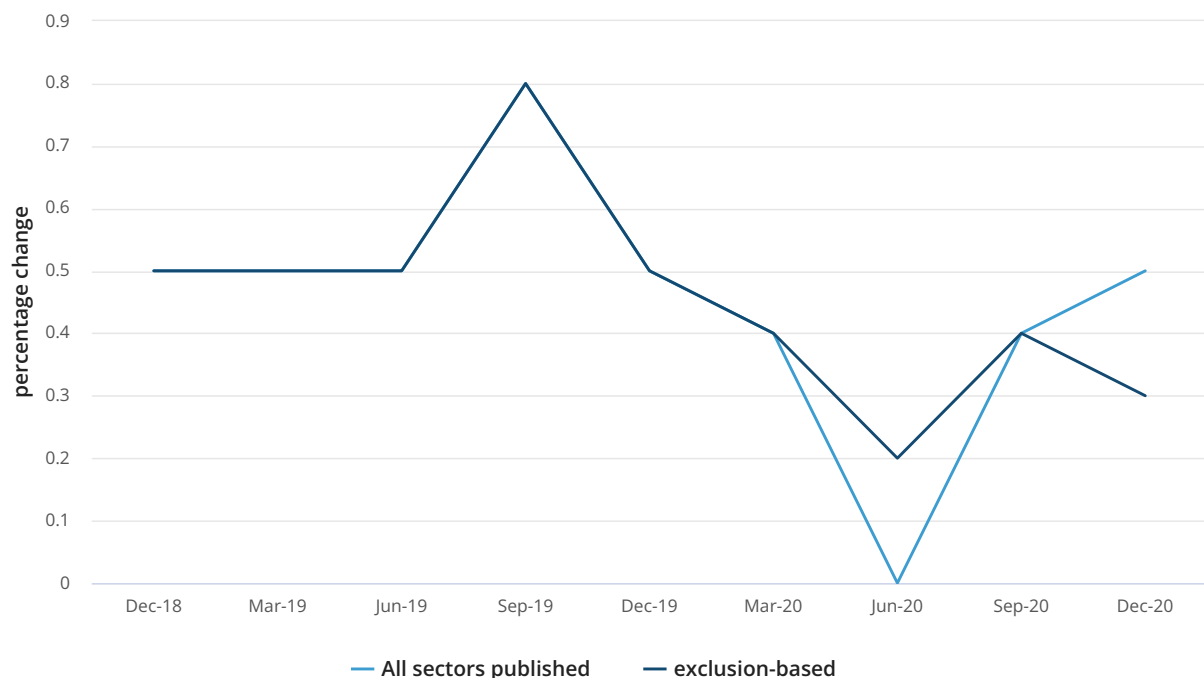
Spotlight: exclusion-based measure of the WPI

This quarter the ABS has produced an exclusion-based measure that looks back at wage growth through the initial introduction of social distancing measures and business restrictions, and their gradual unwinding.

In June quarter 2020 a significant number of short-term wage reductions were recorded across senior executive and higher paid jobs, with the large majority of these reductions returning to previous wage levels in the following quarters. These large volatile changes somewhat obscured the wage growth that was occurring in other parts of the labour market.

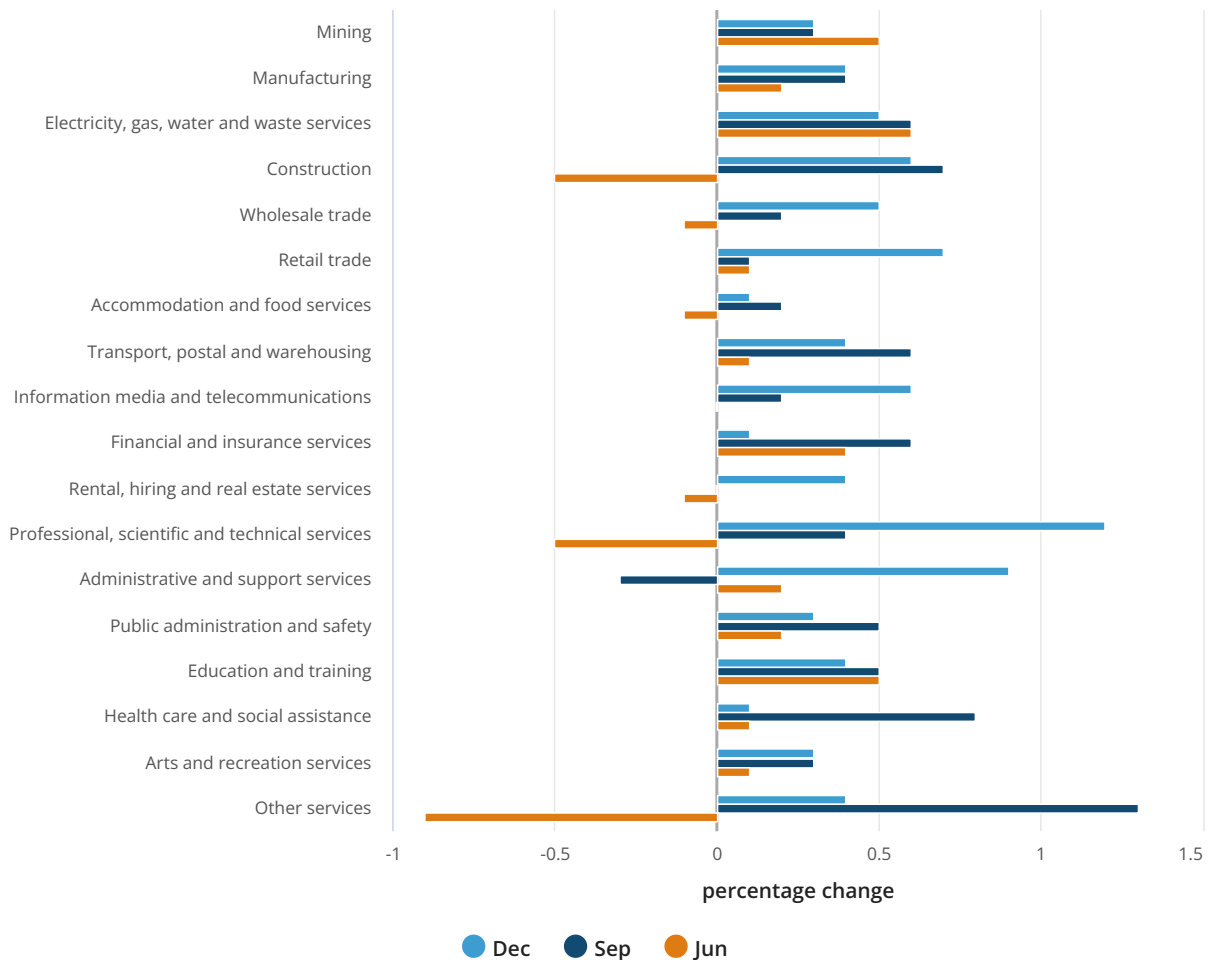
By removing the effect of these jobs we can provide an indicative measure of this underlying wage growth in the Australian labour market.

WPI published vs exclusion-based WPI Jun 20 to Dec 20



The indexes outlined below provide an alternate view of wage growth patterns between June and December quarters 2020 across the different industries.

Wage Price Index - as published Jun 20 to Dec 20

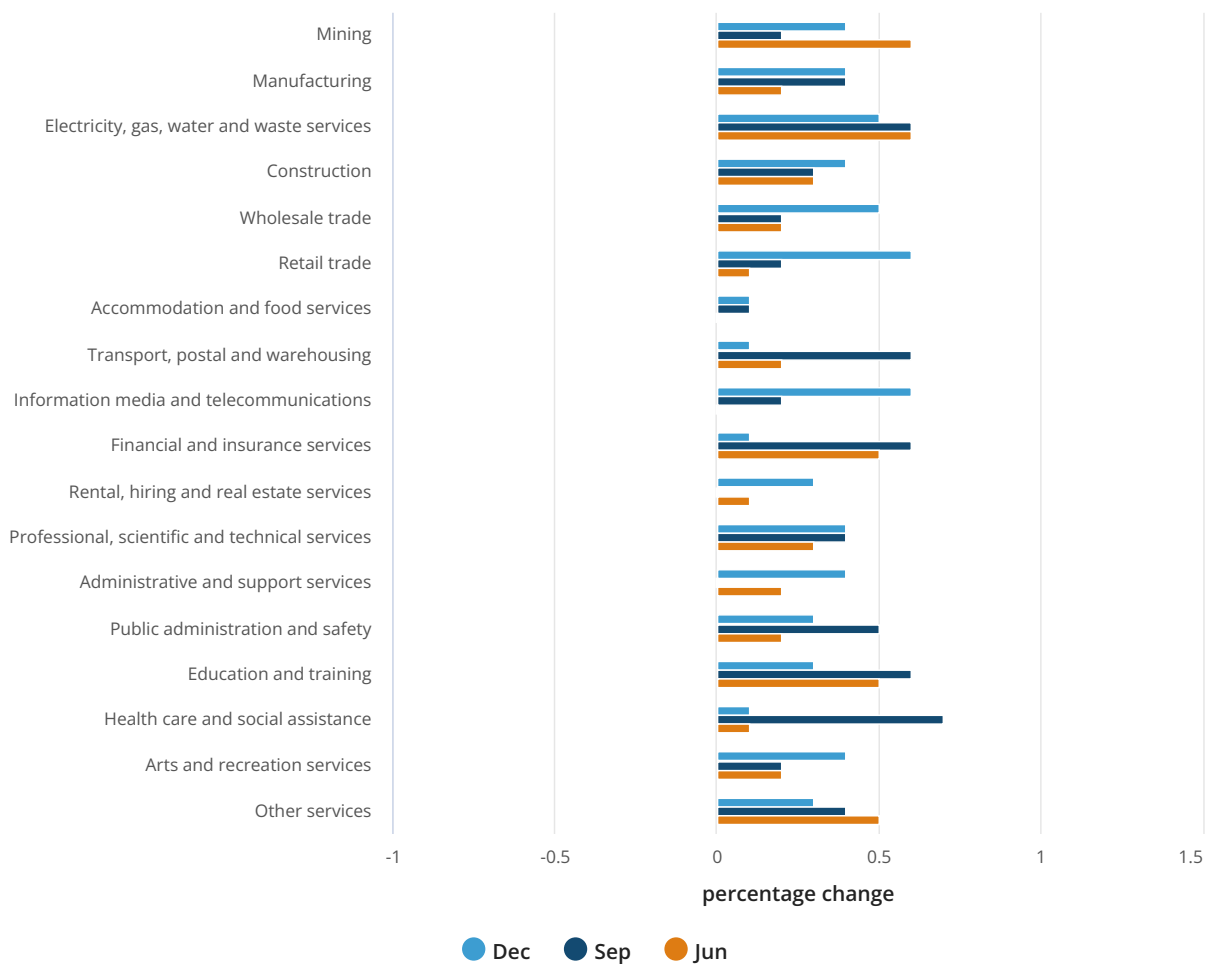


Looking at industry wage growth from June quarter 2020, the effects of COVID-19 restrictions can be more easily observed. A number of jobs reported large wage reductions in the June quarter, with a lesser number in September quarter 2020. The large majority of these jobs reported wage rises back to their original wage levels over the following one or two quarters.

Comparing the industry growth rates after excluding the large short-term reductions and returns shows more modest rates of wage growth over the three quarters to December.

As an example, within the Professional, scientific and technical services industry a number of businesses implemented large short-term wage reductions in June quarter 2020. When excluding these wage reductions the quarterly movement in June would have been 0.3%, compared to the -0.5% recorded. In December quarter 2020, when the majority of these reductions were rolled back to pre-COVID wage levels, the quarterly movement for the industry would have been 0.4% compared to the 1.2% reported this quarter.

Wage Price Index - exclusion-based measure Jun 20 to Dec 20



Measuring the impact of Coronavirus (COVID-19)

The ABS published an article on 23 July 2020 ([Measuring the Wage Price Index during the COVID-19 pandemic \(https://abs.gov.au/articles/methods-changes-during-covid-19-period\)](https://abs.gov.au/articles/methods-changes-during-covid-19-period).) explaining the impact of COVID-19 on the measurement of the WPI in June quarter 2020.

Wage subsidies (JobKeeper) and payroll tax changes fall outside of the collection scope of the Wage Price Index.

Data downloads

I-Note

The wage price indexes in Tables 1, 2b, 3b, 4b, 5b, 7b, 8b and 9b are updated and released every quarter. The corresponding financial year wage price indexes in Tables 2a, 3a, 4a, 5a, 7a, 8a and 9a are updated and released each June quarter for the preceding financial year. There are no financial year indexes created for Table 1.

Time series spreadsheets

Table 1. Total hourly rates of pay excluding bonuses: sector, original, seasonally adjusted and trend

[↓ Download XLS](#)

[121.5 KB]

Table 2a. Total hourly rates of pay excluding bonuses: all sectors by state, original (financial year index numbers for year ended June quarter)

[↓ Download XLS](#)

[87 KB]

Table 2b. Total hourly rates of pay excluding bonuses: all sectors by state, original (quarterly index numbers)

[↓ Download XLS](#)

[127 KB]

Table 3a. Total hourly rates of pay excluding bonuses: private sector by state, original (financial year index numbers for year ended June quarter)

[↓ Download XLS](#)

[86.5 KB]

Table 3b. Total hourly rates of pay excluding bonuses: private sector by state, original (quarterly index numbers)

[↓ Download XLS](#)

[126 KB]

Table 4a. Total hourly rates of pay excluding bonuses: public sector by state, original (financial year index numbers for year ended June quarter)

[↓ Download XLS](#)

[86.5 KB]

Table 4b. Total hourly rates of pay excluding bonuses: public sector by state, original (quarterly index numbers)

[↓ Download XLS](#)

[127.5 KB]

Table 5a. Total hourly rates of pay excluding bonuses: sector by industry, original (financial year index numbers for year ended June quarter)

[↓ Download XLS](#)

[213.5 KB]

Table 5b. Total hourly rates of pay excluding bonuses: sector by industry, original (quarterly index numbers)

[↓ Download XLS](#)

[406 KB]

Table 7a. Hourly rates of pay including bonuses: sector, original (financial year index numbers for year ended June quarter)

[↓ Download XLS](#)

[76.5 KB]

Table 7b. Hourly rates of pay including bonuses: sector, original (quarterly index numbers)

[↓ Download XLS](#)

[104.5 KB]

Table 8a. Ordinary hourly rates of pay excluding bonuses: all sectors by state, original (financial year index numbers for year ended June quarter)

[↓ Download XLS](#)

[87 KB]

Table 8b. Ordinary hourly rates of pay excluding bonuses: all sectors by state, original (quarterly index numbers)

[↓ Download XLS](#)

[127.5 KB]

Table 9a. Ordinary hourly rates of pay excluding bonuses: sector by industry, original (financial year index numbers for year ended June quarter)

[↓ Download XLS](#)

[213.5 KB]

Table 9b. Ordinary hourly rates of pay excluding bonuses: sector by industry, original (quarterly index numbers)

↓ [Download XLS](#)

[407.5 KB]

All WPI series: original (quarterly index numbers)

↓ [Download XLS](#)

[334 KB]

All WPI Series: original (financial year index numbers for year ended June quarter)

↓ [Download XLS](#)

[271 KB]

All time series spreadsheets

↓ [Download ZIP](#)

[950.77 KB]

Data cubes - 63450. Distribution of expenditure on wages, wage price index, Australia

↓ [Download XLS](#)

[791.5 KB]

Previous catalogue number

This release previously used catalogue number 6345.0.

Using price indexes

Price indexes in contracts

Price indexes published by the Australian Bureau of Statistics (ABS) provide summary measures of the movements in various categories of prices over time. They are published primarily for use in Government economic analysis. Price indexes are also often used in contracts by businesses and government to adjust payments and/or charges to take account of changes in categories of prices (Indexation Clauses).

[Use of Price Indexes in Contracts \(https://www.abs.gov.au/websitedbs/D3310114.nsf/home/Inflation+and+Price+Indexes+-+Use+of+Price+Indexes+in+Contracts\)](https://www.abs.gov.au/websitedbs/D3310114.nsf/home/Inflation+and+Price+Indexes+-+Use+of+Price+Indexes+in+Contracts) sets out a range of issues that should be taken into account by parties considering the inclusion of an Indexation Clause within a contract utilising an ABS published price index.

Frequently asked questions

The [Wage Price Index FAQs \(https://www.abs.gov.au/websitedbs/D3310114.nsf/home/Wage+Price+Indexes+FAQs\)](https://www.abs.gov.au/websitedbs/D3310114.nsf/home/Wage+Price+Indexes+FAQs) page has answers to a number of common questions to

do with price indexes and the Wage Price Index, in particular.

Changes in this release

The WPI historically updates expenditure weights every two years in the December quarter using expenditure on wages and salaries from the survey of Employee Earnings and Hours (EEH), to reflect structural changes in the Australian economy. As the EEH survey was postponed in 2020 due to COVID-19, expenditure weights for the WPI will be updated in the December quarter following the 2021 EEH enumeration.

Post-release changes

26 February 2021: The WPI trend estimates in Table 1 of the Data downloads has been updated.

Methodology

[Wage Price Index, Australia methodology, December 2020](#)